

Message Text

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11

ACTION EUR-12

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FM AMEMBASSY OTTAWA

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C O N F I D E N T I A L OTTAWA 1092

POUCHED TO ALL CONSULS IN CANADA

REF: OTTAWA 1062

SUMMARY: RECENT PRESS ITEMS HAVE ACCURATELY REPORTED US-CANADIAN MARCH 3 MEETING AND HAVE INDICATED THAT ENVIRONMENT CANADA CONTINUES TO OPPOSE STRENUOUSLY DOME PETROLEUM'S BEAUFORT SEA DRILLING OPERATION. ANOTHER PRESS ITEM REPORTS THAT DOME IS SEEKING PETRO-CANADA PARTICIPATION TO SHARE EXORBITANT COSTS IN THAT AREA. APPARENTLY, FEDERAL CABINET HAS DISCUSSED PROBLEM BUT HAS NOT YET MADE DECUSION WHETHER TO CONFIRM LICENSE TO DOME. END SUMMARY.

1. DOME PETROLEUM PROPOSAL TO DRILL IN BEAUFORT SEA HAS ATTRACTED A FAIR AMOUNT OF RECENT PRESS ATTENTION. TORONTO GLOBE & MAIL ON MARCH 16 PUBLISHED NEWS ITEM WHICH ACCURATELY SUMMARIZED US-CANADIAN MEETING ON MARCH 3. OTHER PAPERS HAVE PICKED UP STORY AND ON MARCH 17 GLOBE & MAIL HEADLINED ANOTHER STORY "MARCHAND FEELS RISKS TOO HIGH IN BEAUFORT SEA DRILLING."

2. ACCORDING TO LAST ITEM, CANADIAN ENVIRONMENT MINISTER
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JEAN MARCHAND HAS INDICATED THAT "HIS DEPARTMENT IS

OPPOSED TO OFFSHORE DRILLING IN THE... BEAUFORT SEA THIS SUMMER..." HE STRESSED THAT FEDERAL CABINET COULD TURN DOWN PROPOSAL ALTHOUGH ARTICLE ALSO REPORTS THAT "... OTHER CABINET MINISTERS IN RECENT WEEKS, AS WELL AS RECENT STATEMENTS BY DOME OFFICIALS, SUGGESTED THAT THE CANADIAN GOVERNMENT HAS ALREADY GIVEN APPROVAL IN PRINCIPLE... AND THAT THE CABINET CAN ONLY DETERMINE THE CONDITIONS UNDER WHICH DRILLING AUTHORITY WILL BE ISSUED."

3. APPARENTLY MARCHAND ALSO SAID THAT IN VIEW OF EXTENSIVE INVESTMENT INVOLVED IT WOULD BE UNFAIR TO POSTPONE DECISION BEYOND END OF MONTH. ARTICLE CONCLUDES BY QUOTING DOME OFFICIAL: "WE HAVE SATISFIED ALL THE CONDITIONS AND... ARE NOW ENTITLED TO A DRILLING AUTHORITY."

4. ANOTHER GLOBE & MAIL ARTICLE ON SAME DAY IS HEADLINED "DOME SEEKS DEAL WITH PETROCAN." ACCORDING TO THIS ARTICLE DOME HAS APPROACHED PETRO-CANADA WITH A PROPOSAL THAT IT INVEST ABOUT \$40-50 MILLION IN BEAUFORT SEA PROGRAM. IT FURTHER REPORTS THAT PETRO-CANADA IS LESS THAN ENTHUSIASTIC... IN PART BECAUSE IT WOULD INVOLVE A LOT OF PUBLIC MONEY ON ONE EXPLORATION PROJECT."

5. PETRO-CANADA REPORTEDLY HAS AGREED TO STUDY THE FIRST AND SECOND STEPS OF DOME'S PROPOSAL; THE FIRST STEP WOULD INVOLVE DIRECT FINANCIAL INVESTMENT IN OFFSHORE DRILLING THIS SUMMER AND IN EQUIPMENT TO BE USED FOR THE DRILLING AND CLEAN-UP THIS SUMMER AND IN FUTURE YEARS. SECOND STEP WOULD INVOLVE STRAIGHT PARTICIPATION BY PETRO-CANADA IN DOME'S OFFSHORE DRILLING PROGRAM "WHICH HAS BEEN ESTIMATED AS ULTIMATELY \$300-400 MILLION OVER A NUMBER OF YEARS." ARTICLE STATES THAT DOME HAS SUBMITTED PROPOSALS FOR LATER STAGES BUT THAT PETRO-CANADA HAS ALREADY DECIDED NOT EVEN TO LOOK AT THESE UNTIL A DECISION IS MADE ON THE INITIAL INVOLVEMENT, IF ANY. ARTICLE CONCLUDES BY CITING PETRO-CANADA SPOKESMAN AS SAYING, "NO DECISION

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WOULD BE MADE ON ANY SUCH PROPOSAL UNTIL AFTER THE FEDERAL CABINET HAS FORMALLY DECIDED WHETHER OFFSHORE DRILLING CAN... PROCEED THIS SUMMER..." DOME ARGUES THAT PETRO-CANADA SHOULD BECOME INVOLVED TO REMOVE THE OIL AND GAS QUESTION MARK NOW HANGING OVER WHAT "DOME CONSIDERS TO BE CANADA'S MOST PROMISING FRONTIER AREA."

6. EMBASSY UNDERSTANDS THAT CABINET DID IN

FACT DISCUSS BEAUFORT SEA QUESTION MARCH 11 AS SCHEDULED
BUT THAT NO DECISION WAS TAKEN. EXTAFF OFFICIAL TOLD
POLCOUNS IN CONFIDENCE THAT CABINET REFERRED MATTER
FOR FURTHER INTERMINISTERIAL DISCUSSION BETWEEN
MINISTERS DIRECTLY CONCERNED, WHOM HE LISTED AS
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT, ENVIRONMENT,
EXTERNAL AFFAIRS, ENERGY, MINES AND RESOURCES, AND
(INTERESTINGLY) JUSTICE. IT UNCLEAR WHETHER THIS
AD HOC CABINET COMMITTEE WILL HAVE COME TO STAGE OF
RECOMMENDATIONS BY NEXT FULL CABINET MEETING MARCH 18.

7. COMMENT: CANADA OBVIOUSLY IS IN TOUGH SPOT AS
COSTS FOR OFFSHORE DRILLING CONTINUE TO MOUNT AND AS OIL
COMPANIES BECOME INCREASINGLY JITTERY ABOUT MAKING
SUCH HUGE INVESTMENTS (REFTEL); DOME PROPOSAL TO
PETRO-CANADA CLEARLY IN LINE WITH THESE CONCERNS AS IT
SEEKS TO OBTAIN GOVERNMENT MONEY.
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